

Message Text

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SUBJECT: DECEMBER 17 COUNCIL MEETING: ITALIAN TRADE
MEASURES

1. COUNCIL DISCUSSION WAS OPENED BY JOHN FAY (ECONOMICS AND STATISTICS DIRECTORATE) WHO POINTED OUT THAT ON NOVEMBER 16 COUNCIL HAD DISCUSSED ITALIAN MEASURES, AND IN THE MEANTIME SO HAD THE TRADE COMMITTEE AND EPC. EPC HAD NOTED THAT GOI'S BUDGETARY, FISCAL AND MONETARY MEASURES WERE FAR-REACHING, BUT SAW KEY QUESTION AS BEING WHETHER ITALIAN ECONOMY COULD CONTINUE EQUILIBRATED DEVELOPMENT AFTER IMPORT-DEPOSIT SCHEME AND FOREIGN EXCHANGE SURCHARGE HAD BEEN WITHDRAWN. THIS TURNED ON WHETHER HOPED-FOR LABOR-MANAGEMENT AGREEMENT COULD BE REACHED TO MODIFY TIGHT WAGE INDEXATION LINK. FAY SAID ITALIAN REP TO EPC (LANDRISCINA) HAD AGREED WITH FOREGOING ANALYSIS AND SAID UNTIL RESULTS OF EMPLOYER/ UNION TALKS WERE KNOWN, IT WOULD NOT BE POSSIBLE TO SAY WHETHER GOI COULD LIFT THE SAFEGUARD MEASURES AND FACE THE FUTURE WITH EQUANIMITY. SPEAKING FOR TRADE
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DIRECTOR POINCILIT, FAY ALSO REPORTED THAT DURING TRADE COMMITTEE DISCUSSIONS, COMPREHENSION HAD BEEN EXPRESSED FOR ITALIAN ECONOMIC DIFFICULTIES, AS WELL AS REGRETS AT PROLONGATION OF PRIOR DEPOSIT SCHEME, AND THE HOPE THAT THIS SCHEME COULD SOON BE ABOLISHED.

2. ITALIAN REP SAID FAY'S ACCOUNT OF EPC DISCUSSION WAS CORRECT. HE ADDED THAT PERIOD FOR EMPLOYER/UNION TALKS HAD BEEN "TECHNICALLY PROLONGED", AND SAID THAT IF A SATISFACTORY RESULT WERE NOT OBTAINED IN THESE TALKS, HIS GOVERNMENT WOULD FACE UP TO ITS RESPONSIBILITIES.

3. COUNCIL NOTED COMMENTS THAT HAD BEEN MADE AND LEFT OPEN POSSIBILITY OF REVERTING TO ISSUE AFTER WP-3 AND EDRC DISCUSSIONS HAVE BEEN HELD.
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